



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 525
LOS ANGELES, CALIFORNIA 90012-3873
PHONE: (213) 974-8301 FAX: (213) 626-5427

WENDY L. WATANABE
AUDITOR-CONTROLLER

MARIA M. OMS
CHIEF DEPUTY

ASST. AUDITOR-CONTROLLERS

ROBERT A. DAVIS
JOHN NAIMO
JUDI E. THOMAS

January 28, 2011

TO: Supervisor Michael D. Antonovich, Mayor
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Don Knabe

FROM: Wendy L. Watanabe *Wendy L. Watanabe*
Auditor-Controller

SUBJECT: **JEWISH VOCATIONAL SERVICE CONTRACT REVIEW – A
DEPARTMENT OF PUBLIC SOCIAL SERVICES REFUGEE
EMPLOYMENT PROGRAM PROVIDER**

We completed a program, fiscal and administrative contract review of Jewish Vocational Service (JVS or Agency), a Department of Public Social Services (DPSS) Refugee Employment Program (REP) provider. The purpose of our review was to determine whether JVS appropriately accounted for and spent REP funds. We also evaluated the adequacy of the Agency's accounting records, internal controls and compliance with the County contract and applicable guidelines.

DPSS compensates JVS at a fixed monthly fee for each participant and requires the Agency to return any unspent revenues. DPSS paid JVS approximately \$665,000 during Fiscal Year (FY) 2009-10. The Agency provided services to residents in the Second, Third and Fourth Supervisorial Districts during FY 2009-10.

Results of Review

The program participants met the eligibility requirements for the REP services and JVS staff possessed the required qualifications. In addition, the Agency maintained adequate internal controls. However, JVS did not always comply with the other contract requirements. Specifically, JVS:

- Did not appropriately allocate shared program costs to the REP Program.

JVS's attached response indicates that they now use an allowable allocation method and that the Agency actually under billed DPSS by not using this allocation method.

- Did not report all equipment purchases made with REP funds to DPSS as required.

JVS's attached response indicates that they will report future equipment purchases to DPSS.

- Did not obtain criminal background clearances for three (43%) of the seven REP employees reviewed. Subsequent to our review, the Agency obtained background clearances for the three employees.

Details of our review, along with recommendations for corrective action, are attached.

Review of Report

We discussed our report with JVS and DPSS in September 2010. In their attached response, JVS indicated agreement with our findings and recommendations. DPSS indicated that they will work with JVS to ensure that the recommendations are implemented.

We thank JVS management for their cooperation and assistance during this review. Please call me if you have any questions or your staff may contact Don Chadwick at (213) 253-0301.

WLW:MMO:JET:DC:AA

Attachment

c: William T Fujioka, Chief Executive Officer
Philip L. Browning, Director, Department of Public Social Service
Jeffrey Paul, Board President, Jewish Vocational Service
Vivian Seigel, Chief Executive Officer, Jewish Vocational Service
Public Information Office
Audit Committee

**REFUGEE EMPLOYMENT PROGRAM
JEWISH VOCATIONAL SERVICE
FISCAL YEAR 2009-10**

BACKGROUND/PURPOSE

The Department of Public Social Services (DPSS) contracts with Jewish Vocational Service (JVS or Agency), a private non-profit community-based organization, to provide services to refugees who have resided in the United States for less than five years. Refugee Employment Program (REP) services include performing skills and needs assessments, facilitating job placement and retention services, and referring participants to additional available resources. The contract services include performing skills and needs assessments, facilitating job placement and retention services and referring participants to additional available resources.

The purpose of our review was to determine whether JVS complied with the contract terms and appropriately accounted for and spent REP funds in providing the services outlined in their County contract. We also evaluated the adequacy of the Agency's accounting records, internal controls, and compliance with federal, State and County guidelines. In addition, we interviewed a number of the Agency's staff.

ELIGIBILITY

Objective

Determine whether JVS provided services to individuals that met the eligibility requirements for REP services.

Verification

We reviewed the case files for 20 (2%) of the 1,054 participants that received REP services during December 2009 and January 2010.

Results

All 20 program participants met the eligibility requirements for REP services.

Recommendation

None.

PROGRAM SERVICES

Objective

Determine whether JVS provided the services in accordance with the County contract and REP Program guidelines. In addition, determine whether the program participants received the billed services.

Verification

We reviewed the case file documentation for 20 participants that received services during December 2009 and January 2010.

Results

JVS provided the services in accordance with the County contract.

Recommendation

None.

STAFFING QUALIFICATIONS

Objective

Determine whether JVS staff possessed the qualifications required by the County contract.

Verification

We reviewed the personnel files for seven (44%) of the 16 JVS employees that worked on the REP Program.

Results

JVS staff possessed the qualifications required by the County contract.

Recommendation

None.

PERFORMANCE OUTCOMES**Objective**

Determine whether JVS met the planned performance outcomes as outlined in the County contract and reports the performance outcomes to DPSS. The performance outcomes included increasing employment and work participation rates and reducing sanction rates.

We did not perform test work in this section because accurate performance outcome data for JVS was not available. DPSS indicated that the database they use to capture REP Program performance data is not capturing all of the REP Program participants. DPSS plans to review the Agency's performance outcomes when the system is updated in December 2010.

Recommendation

None.

CASH/REVENUE**Objective**

Determine whether cash receipts and revenue were properly recorded in JVS's financial records and deposited timely in their bank account. In addition, determine whether the Agency maintained adequate controls over cash.

Verification

We interviewed JVS personnel and reviewed financial records including the Agency's bank reconciliations for February 2010.

Results

JVS maintained adequate controls to ensure that revenue was properly recorded and deposited timely.

Recommendation

None.

UNSPENT REVENUE**Objective**

Determine whether JVS's payments from April 2008 to June 2009 reconciled to the Agency's accounting records.

Verification

We traced JVS's payments from April 2008 to June 2009 to their accounting records.

Results

JVS's payments reconciled to their financial accounting records. In addition, JVS did not have any unspent revenue from April 2008 to June 2009. Specifically, the Agency's \$709,000 in expenditures exceeded their \$673,000 in revenue from DPSS by \$36,000.

Recommendation

None.

EXPENDITURES/PROCUREMENT**Objective**

Determine whether program related expenditures were allowable under the County contract and properly documented.

Verification

We interviewed JVS personnel and reviewed financial records and other documentation for 18 non-payroll expenditures totaling \$22,191 that the Agency charged from October 2009 through February 2010.

Results

JVS did not appropriately allocate shared program costs to the REP Program. Specifically, JVS inappropriately charged four (22%) of the 18 expenditures reviewed totaling \$3,108 to the REP Program rather than allocating the costs between County and non-County programs as required. In addition, JVS used an unallowable method (e.g., number of programs) to allocate three (17%) of the 18 expenditures reviewed totaling \$1,887 to the REP Program.

To ensure costs are appropriately charged to the REP Program, JVS needs to review and reallocate all shared non-payroll program costs charged to the Program during the

contract term, provide DPSS with supporting documentation, and repay any overbilled amounts.

Recommendations

JVS management:

1. Review and reallocate all shared non-payroll program costs charged to the REP Program during the contract term, provide DPSS with supporting documentation and repay any overbilled amounts.
2. Ensure that shared program expenditures are allocated in compliance with the County contract.

ADMINISTRATIVE CONTROLS/CONTRACT COMPLIANCE

Objective

Determine whether JVS maintained sufficient internal controls over its business operations and if the Agency is in compliance with other program and administrative requirements.

Verification

We interviewed JVS personnel, reviewed their policies and procedures manuals and conducted on-site visits.

Results

JVS maintained sufficient internal controls over its business operations and complied with other program and administrative requirements.

Recommendation

None.

FIXED ASSETS AND EQUIPMENT

Objective

Determine whether JVS's fixed assets and equipment purchased with REP funds were used for the Program and were safeguarded.

Verification

We interviewed JVS personnel and reviewed the Agency's fixed assets and equipment inventory listing. In addition, we performed an inventory of all four items purchased with REP funds totaling \$3,840 during Fiscal Year 2009-10.

Results

JVS used the items purchased with REP funds for the Program and the items were appropriately safeguarded. However, JVS did not report all four (100%) assets reviewed to DPSS as required.

Recommendation

3. JVS management report all equipment purchases made with REP funds to DPSS.

PAYROLL AND PERSONNEL**Objective**

Determine whether payroll expenditures were appropriately charged to the REP Program. In addition, determine whether JVS obtained background clearances and verified employment eligibility for REP Program employees.

Verification

We traced the payroll expenditures for seven employees totaling \$6,947 for February 2010 to the Agency's payroll records and time reports. We also interviewed staff and reviewed seven personnel files for REP Program staff.

Results

JVS properly charged payroll expenditures to the REP Program. However, the Agency did not obtain criminal background clearances for three (43%) of the seven staff reviewed. Subsequent to our review, the Agency obtained background clearances for the three employees.

Recommendation

4. JVS management obtain criminal background clearances for all REP Program employees.

COST ALLOCATION PLAN**Objective**

Determine whether JVS's Cost Allocation Plan was prepared in compliance with the County contract and used to appropriately allocate shared program costs.

Verification

We reviewed the Cost Allocation Plan and a sample of expenditures JVS incurred from October 2009 through February 2010.

Results

JVS's Cost Allocation Plan was prepared in compliance with the County contract. However, JVS did not appropriately allocate shared program costs to the REP Program as discussed above.

Recommendation

Refer to Recommendations 1 and 2.



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Mayor (Mike) Hersch
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▲ Deceased

Wendy L. Watanabe,
County of Los Angeles,
Department of Auditor-Controller,
500 West Temple Street, Room 525,
Los Angeles,
CA 90012-3873

September 27, 2010

Ref; Fiscal Review FY 2009-10 – DPSS Refugee Employment Program

Dear Ms. Watanabe,

This memo is in response to the DPSS contract review report dated September 22, 2010.

Recommendation 1 and 2 – Expenditures/Procurement – Allocation methodology

We have changed the shared program expenditures allocation methodology to allocating based on Full Time Equivalent (FTE) numbers for the Sherman Oaks, Glendale and 6505 Wilshire offices. This methodology is in compliance with the County contract (please see the section on Cost Allocation Plan in the contract review report)

Recalculating the allocations the net result was that the REP program had been undercharged \$1,511

Recommendation 3 Fixed Assets and Equipment

We agree that per the contract equipment purchases are reported to DPSS. We had thought that entering on the Fixed Asset Inventory list was sufficient and will report any future purchases to DPSS

Recommendation 4 Payroll and Personnel – Criminal background clearances

All 7 staff working on the REP programs have now gone through the criminal background check process and the reports are in their HR files.

Yours truly,

Olwen Brown
Olwen Brown
JVS CFO

Jewish Vocational Service
6505 Wilshire Blvd., Suite 200, Los Angeles, CA 90048
323.761.8888 f 323.761.6575 TTY 323.761.5101
22622 Vanowen Street, West Hills, CA 91307
818.464.3222 f 818.464.3375
www.jvsla.org

JVS WorkSource Centers
5757 Wilshire Blvd., Promenade 3, Los Angeles, CA 90036
323.904.4900 f 323.904.4905 TTY 323.904.4906
13160 Mindanao Way, Suite 240, Marina Del Rey, CA 90291
310.309.6000 f 310.309.6032 TTY 310.309.6018

